REMARKS

In the Office Action,[1] the Examiner rejected claim 5 under 35 U.S.C. § 112, ¶ 6; rejected claims 1, 5, 10, 11, 13-21, and 23 under 35 U.S.C. § 112, ¶ 2; rejected claims 1, 5, 10, 12-21, and 23 under 35 U.S.C. § 103(a) as being unpatentable over "The Role of Insurance in Asset-Backed Securities," by Mahesh K. Kotecha ("Kotecha") in view of U.S. Patent Application Publication No. 2002/0156719 ("Finebaum"), and in further view of "Mining and the Vanishing Surety Bond Market," by Lisa A. Kirschner et al. ("Kirschner") and "MBS Structuring: Concepts and Techniques," by Sunil Gangwani ("Gangwani"); and rejected claim 11 under 35 U.S.C. § 103(a) as being unpatentable over Kotecha in view of Finebaum, and further in view of Kirschner, Gangwani, and the Examiner's Official Notice ("Official Notice").

Applicant amends claims 5 and 14. Claim 12 is cancelled and claims 2-4, 6-9, and 22 are withdrawn. Claims 1, 5, 10, 11, and 13-21, and 23 remain pending and under examination.

I. Rejection under § 112, ¶ 6

The Office Action rejected claim 5 under 35 U.S.C. § 112, ¶ 6, requesting that Applicant amend the "means-for" claims to remove the recited structure. (Office Action at 3.) Applicant amends claim 5 to remove the claimed "processor," thus obviating the rejection.

In response to the Examiner's indication that "it appears the specification does not include enough support for a means plus claim given no algorithms have been

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[1] The Office Action contains a number of statements reflecting characterizations of certain art and claims. Regardless of whether any such statement is identified herein, Applicant declines to automatically subscribe to any statement or characterization in the Office Action.

found by the Examiner," Applicant respectfully directs the Examiner's attention to the flowcharts of Figs. 4-7. (Office Action at 3.) As the Federal Circuit has explained, the "algorithms in the specification [corresponding to a means-plus-function recitation] need only disclose adequate defining structure to render the bounds of the claim understandable to one of ordinary skill in the art." *AllVoice Computing PLC v. Nuance Communications, Inc.*, 504 F.3d 1236, 1244 (Fed. Cir. 2007). The Federal Circuit thus "permits a patentee to express that algorithm in any understandable terms <u>including . . . as a flow chart</u>, or in any other manner that provides sufficient structure." *Finisar Corp. v. DirectTV Group, Inc.*, 523 F.3d 1323, 1340 (Fed. Cir. 2008) (emphasis added). Applicant therefore respectfully submits that the flowcharts of Figs. 4-7 provide the requisite algorithmic structures.

II. Rejections under §112, ¶2

The Office Action rejects claims 1, 5, 10, 21, and 23 under 35 U.S.C. § 112, ¶ 2 as indefinite, indicating that "Examiner believes that the trust will guarantee the senior class payment and potentially use the junior class as collateral." (Office Action at 4.) The Examiner continues to assert that "[t]his still leaves the question of how the trust, if indeed they are the ones covering the guarantee risk will seek reimbursement. These missing elements need to be filled in for the claim to be functional." (Id.)

Applicant respectfully directs the Examiner's attention to M.P.E.P. § 2173.04, which indicates that "Breadth is Not Indefiniteness." Where the scope of the claims are clear, the claims comply with 35 U.S.C. § 112, ¶ 2. Here, the claims are clear in the steps of "receiving a guarantee claim," "making the guarantee payment," and "seeking . . . reimbursement for the guarantee payment." Applicant confirms that, consistent with

an embodiment of the invention, the "trust will guarantee the senior class payment," as indicated by the Examiner. Applicant also confirms that the trust may "potentially use the junior class as collateral," as also indicted by the Examiner. Applicant respectfully submits that further narrowing the claims to define the exact entity from whom the trust seeks reimbursement would unduly narrow the claims in a way that is not required by 35 U.S.C. § 112, ¶ 2. Applicants seek protection for the full breadth of their invention, without limiting the claims to the species cited by the Examiner.

Applicant also points out that claims 2-4, 6-9, and 22 further define the guarantee feature and how the trust may fulfill its guarantee obligations. However, the Examiner previously issued a restriction indicating that these claims are directed to a separate invention, so those claims have been withdrawn. Therefore, further defining how the trust seeks reimbursement for a guarantee claim has already been deemed a distinct invention, and the fact that the claims currently being examined do not recite these details does not demonstrate indefiniteness. Therefore, Applicant respectfully requests that the Examiner withdraw the rejection.

The Examiner also rejected claim 14 under 35 U.S.C. § 112, ¶ 2. Applicant amends claim 14 to render the objection moot.

III. Rejections Under § 103(a)

Applicant respectfully traverses the rejection of claims 1, 5, 9, 10, and 13-23 under 35 U.S.C. § 103(a) as being unpatentable over Kotecha in view of Finebaum in further view of Kirschner in further view of Gangami. A *prima facie* case of obviousness has not been established at least because the differences between the prior art and Applicant's claims, as amended, are such that it would not have been obvious for one of

ordinary skill in the art at the time of the invention to modify the prior art to arrive at

Applicant's claimed invention.

Independent claim 1 recites a computer-implemented method of processing

financial information, said method comprising:

> receiving an indication, at a processor from a database, that
> tax-exempt bonds are in a single trust;
>
> based on the single trust, establishing, at the processor, a
> senior class of securities, such that the senior class of
> securities includes a guarantee feature, the guarantee
> feature indicating that a guarantee payment must be made
> to a holder of the senior class of securities on a guarantee
> claim and reimbursement sought after satisfying the
> guarantee claim;
>
> based on the single trust, establishing, at the processor, a
> junior class of securities, such that the junior class of
> securities serves as collateral;
>
> issuing the senior class of securities and the junior class of
> securities, such that the junior and senior classes of
> securities are backed by the assets of the single trust;
>
> paying excess income to holders of the junior class of
> securities until the guarantee claim is made;
>
> receiving a guarantee claim and, in response to the
> guarantee claim, stopping payment of the excess income to
> the holders of the junior class of securities;
>
> making the guarantee payment to the holder of the senior
> class of securities after receiving the guarantee claim; and
>
> seeking, by the single trust, reimbursement for the guarantee
> payment.

The cited references, whether taken individually or in combination, do not teach or

suggest the combination of elements recited by claim 1.

Kotecha does not teach or suggest the combination of elements recited by

claim 1. Initially, the Examiner acknowledges that Kotecha does not teach or suggest

"receiving an indication . . . that tax-exempt bonds are in a single trust;" "reimbursement sought after satisfying the guarantee claim;" "paying excess income to holders of the junior class . . . until a guarantee claim is made;" "receiving a guarantee claim . . . ;" and "seeking . . . reimbursement for the guarantee payment." (Office Action at 6.) Thus, Kotecha fails to teach or suggest at least five out of the eight clauses of claim 1.

The Office Action refers to the disclosures of senior subordination and financial guarantees in Kotecha. (Office Action at 5.) Kotecha discloses senior subordination as credit enhancement using a senior and junior tranche where the junior tranche bears losses. (Kotecha at 195.) This general disclosure of senior and junior tranches does not constitute a teaching or suggestion of the elements of claim 1. First, Kotecha does not use a "single trust." Second, the tranches in Kotecha do not hold "tax-exempt bonds." Third, Kotecha does not disclose any sort of a "guarantee feature indicating that a guarantee payment must be made to a holder of the senior class of securities." Fourth, the junior and senior classes of Kotecha are not "backed by the assets of the single trust," as claimed, since Kotecha does not even have tranches of securities in trust.

Kotecha's discussion of financial guarantee insurance, as well as the other uncited portions of Kotecha, similarly fails to teach or suggest the elements of claim 1. (Kotecha, 197; Office Action at 5.) Kotecha discloses that "[a] financial guarantee . . . is designed to ensure that investors will receive timely payments of principal and interest . . . ." (Kotecha, 197.) These financial guarantees take the form of a surety bond under state law, and are described not only in Kotecha, but also in Applicant's own specification. (Kotecha, 197; Applicant's Specification, ¶ 004.)

As explained in the Background section of Applicants' specification, "[i]n the past

. . . financial institutions have provided 'credit enhancement' for pools of bonds . . . [that]

involved the guarantee of scheduled principal and interest payments with respect to the

bonds." (Kotecha, 197; Applicant's Specification at ¶ 004.) The prior art solutions are

"complex . . . arrangements [that] increase expenses." (Applicant's Specification,

¶ 002.) Kotecha echoes this problem, indicating that the premiums for financial

insurance guarantees lead to "complex transactions" with fees that "may be significant."

(Kotecha at 204.) Kotecha therefore discloses no more than the problems that

Applicant's specification and claims overcome. There simply is no mention or

suggestion of the claimed "single trust" including both "junior and senior classes of

securities [] backed by the assets of the single trust," where the "senior class of

securities includes a guarantee feature . . . indicating that a guarantee payment must be

made to the holder of the senior class of securities," as recited by claim 1. These

deficiencies are in addition to those acknowledged by the Office Action, including that

Kotecha does not teach or suggest "stopping payment of the excess income to the

holders of the junior class of securities."

Finebaum does not cure the deficiencies discussed above. The Office Action

cites Finebaum as disclosing "receiving an indication, at the processor from a database,

that tax-exempt bonds are in a single trust," citing ¶ 0364. (Office Action at 6.)

Finebaum discloses an "interactive electronic trading system for broadcasting quotes,

usually bid and ask prices, for high-yield corporate bonds to buyers and sellers in a fully

encrypted manner." (Finebaum, Abstract.) Finebaum does not teach, suggest, or even

relate to bonds being in a single trust with a guarantee feature. The passage cited by

the Examiner discloses "[i]nterfaces to certain third parties include . . . US Trust, which

is a custodian for municipal bonds insured by the insurance provider . . . ." (Finebaum,

¶ 0364.) US Trust is the name of a trust company. Finebaum simply indicates that

municipal bonds may exist, and that the company US Trust may be a custodian. But

the existence of municipal bonds is not in dispute. Therefore, Finebaum's general

disclosure of a company serving as a custodial for municipal bonds has little bearing on

the patentability of claim 1, and certainly does not cure the deficiencies of Kotecha.

Kirschner also does not cure the deficiencies discussed above. The Office

Action relies on Kirschner as allegedly disclosing "reimbursement [being] sought after

satisfying the guarantee claim" and "seeking, by the trust, reimbursement for the

guarantee payment." (Office Action at 6.) Applicant respectfully disagrees. Kirschner

does not teach or suggest a trust, guarantee payment, or the claimed reimbursement.

Kirschner discloses that surety bonds can be used to meet regulations

"requir[ing] that mining companies guarantee the existence of financial resources to

fund site reclamation following mining operations . . . ." (Kirschner at 152.) However,

the guarantee of Kirschner relates to the government ensuring that mining companies

will perform environmental cleanup after operations cease. (Id.) Kirschner indicates

that a surety company may limit its financial exposure through a reinsurer. (Id. at 154.)

The reinsurer is "typically liable for the agreed upon dollar amount to the surety provider

and not to the beneficiary of the bond." (Id.) The insurance helps cover the surety

companies' losses if a mining company fails to cleanup a site. Kirschner does not

disclose a guarantee claim, a trust with both a senior and junior class of securities, or

stopping payment of excess income to a junior class in response to receiving a

guarantee claim, as recited by claim 1. Kirschner's "guarantee" also does not "indicat[e] that a guarantee payment must be made to a holder of the senior class of securities," as claimed. Thus, Kirschner is simply unrelated to the combination recited by claim 1.

Gangwani also does not cure the deficiencies discussed above. The Office Action alleges that Gangwani discloses "paying excess income to holders of the junior class of securities until the guarantee claim is made" and "receiving a guarantee claim and, in response to the guarantee claim, stopping payment of the excess income to the holders of the junior class of securities." (Office Action at 6-7.) But in Gangwani, there is no guarantee claim. Further, as with the other cited references, Gangwani does not teach or suggest a single trust holding the junior class of securities.

Gangwani uses "[t]wo tests . . . each period when delinquencies and realized losses exist in a mortgage pool." (Id.) After "a certain threshold of delinquencies, principal payments due to the subordinates are diverted to the seniors." (Id.) These automated tests for diverting payments to the seniors do not constitute a teaching or suggestion of a "guarantee claim." Further, Gangwani discloses that "[o]nce the subordinate class is reduced to zero [in response to the assets losing value], the realized losses are allocated to the senior class . . ." (Gangwani, 34.) Allocating losses to the senior class does not equate to providing a guarantee payment to the senior class in response to a guarantee claim.

Looking at the claim as a whole, combining all of the cited references would not result in the combination recited by claim 1 for the reasons discussed above. Moreover, the Examiner's conclusion of obviousness relies on four references – separately directed at using insurance with asset-backed securities (Kotecha), providing bonds to

the mining industry (<u>Kirschner</u>), setting up a secure online trading system (<u>Finebaum</u>), and modeling mortgage-backed securities (<u>Gangwani</u>) – combined in a manner that ignores the real differences between the four references, and which would not be combined by one of ordinary skill. Only with the benefit of reading claim 1, Applicant's specification, and even further modifying the four cited references would the claimed combination be appreciated. Indeed, the fundamental concept of a single trust with a senior class of securities having the claimed guarantee feature cannot be found in any of the cited references, whether taken alone or in any proper combination, and therefore necessarily is absent from the proposed combination.

Accordingly, the cited references, taken individually or in combination, fail to teach or suggest the combination of elements required by claim 1. Independent claims 5, 10, 21, and 23, although of different scope than claim 1, patentably distinguish from the cited references for at least the same reasons as claim 1. Claims 13-20 depend from independent claim 10 and therefore patentably distinguish from the cited references for at least the reasons discussed above with respect to claims 1 and 10, as well as by reason of reciting additional features not taught nor suggested by the cited art. The Examiner's Official Notice regarding dependent claim 11 also does not cure the deficiencies discussed above.

In view of the foregoing, Applicant requests the timely allowance of the pending claims.

Please grant any extensions of time required to enter this response and charge any additional required fees to Deposit Account 06-0916.

Respectfully submitted,

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